



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Potential softwood lumber agreement
Da: Wednesday, June 25, 2003

Sen. Chuck Grassley, chairman of the Committee on Finance, made the following comment on his preferences for a resolution of the softwood lumber dispute.

“The Commerce Department recently released a policy paper designed to move Canada toward a more market-based system of selling its timber. This policy paper provides guidelines that the Canadian provinces can adopt if they want to get out from under the trade law cases.

“I want to express my support for the aims of this policy paper. I’ve long been a strong advocate of free markets and the expansion of free trade. The dispute over softwood lumber that has plagued relations between the United States and Canada deserves a proper end. Implementing appropriate market reforms seems like the right formula.

“I’m disturbed to hear that the Administration may be willing to accept an interim arrangement, before the reforms are undertaken, that would include the imposition of a quota-based system much like the Softwood Lumber Agreement that expired in 2001. I oppose any quota arrangement because it’s the most distortive market measure that could be introduced. A lot of people would agree with that.

“The American consumer ends up paying the price for this type of arrangement. That’s the wrong result. A quota likely would cause lumber prices to increase as supplies diminish. Higher lumber and construction costs would do nothing to prevent economic anxiety. An April 2003 report by the International Trade Commission on Wood Structural Building Components discussed the negative affects caused by the Softwood Lumber Agreement, including two-tiered pricing and gaming of the system. The housing and construction markets are two of the strongest sectors of the American economy. Introducing a lumber quota could put a big damper on their growth. It’s the wrong approach. I support an end to the softwood lumber dispute, but I can’t support an end that would hurt the American consumer.”